

Message Text

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PAGE 01 STATE 030662

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ORIGIN TRSE-00

INFO OCT-01 ARA-06 ISO-00 EB-07 SSO-00 AID-05 CEA-01

CIAE-00 INR-07 NSAE-00 CIEP-01 FRB-03 L-02 H-01 LAB-04

NSC-05 OMB-01 PA-01 PRS-01 USIE-00 SS-15 SP-02 STR-01

TAR-01 INRE-00 NSCE-00 COME-00 OPIC-03 XMB-02 /070 R

DRAFTED BY TREAS:PSUCHMAN:CLJ

APPROVED BY EB/OT/STA:WCLARK,JR.

EB/OT/STA:ECONSTABLE

ARA/APU:RFELDER

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FM SECSTATE WASHDC

TO AMEMBASSY BUENOS AIRES IMMEDIATE

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E.O. 11652: N/A

TAGS: ETRD, AR

SUBJECT: COUNTERVAILING DUTIES -- ARGENTINE FOOTWEAR

REF: BUENOS AIRES 714; BUENOS AIRES 944

1. TREASURY WILL DELIVER FOLLOWING LETTER AND MEMORANDUM
TO AMBASSADOR ORFILA IN WASHINGTON FEBRUARY 11:

2. BEGIN TEXT: DEAR MR. AMBASSADOR:

... AS YOU KNOW, DISCUSSIONS WERE RECENTLY HELD IN
BUENOS AIRES BETWEEN REPRESENTATIVES OF THE GOA AND THE
TREASURY DEPARTMENT CONCERNING THE PENDING COUNTERVAILING
DUTY INQUIRY INTO NON-RUBBER FOOTWEAR EXPORTS FROM ARGEN-
TINA. AS A RESULT OF THAT MEETING, WE ARE NOW READY TO
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PAGE 02 STATE 030662

ISSUE A PRELIMINARY NEGATIVE DETERMINATION IN THIS CASE.

THAT DETERMINATION WILL BE FOLLOWED BY A PERIOD, WHICH COULD EXTEND UNTIL JANUARY 4, 1976, DURING WHICH THE PROGRAMS OF THE ARGENTINE GOVERNMENT RELATING TO THE EXPORT OF FOOTWEAR WILL BE KEPT UNDER CLOSE OBSERVATION BY THE TREASURY DEPARTMENT. WE WOULD HOPE THAT THE GOA WOULD CONTINUE ITS COOPERATION WITH OUR INQUIRY DURING THIS PERIOD, AT THE END OF WHICH WOULD BE ISSUED A FINAL DETERMINATION. OF COURSE, EVEN AFTER A FINAL DISPOSITION OF THE CASE WE

WOULD BE OBLIGED TO CONTINUE TO MONITOR CONDITIONS UNDER WHICH THESE GOODS ARE EXPORTED FOR SOME TIME, TO INSURE THAT NO BOUNTIES OR GRANTS ARE IN EFFECT.

.... IT IS OUR UNDERSTANDING, UPON WHICH THIS DECISION TO PUBLISH A PRELIMINARY NEGATIVE DETERMINATION IS BASED, THAT THE EXPORT PAYMENT KNOWN AS THE REEMBOLSO HAS BEEN REMOVED FOR NON-RUBBER FOOTWEAR, AND THAT IT WILL NOT BE REINSTATED. WE FURTHER UNDERSTAND THAT THE PREVIOUSLY ANNOUNCED INTENTION OF THE GOA TO CREATE A COMPREHENSIVE GOVERNMENT PROGRAM FOR THE BENEFIT OF THE ARGENTINE FOOTWEAR INDUSTRY, UNDER THE AUSPICES OF THE GOVERNMENT AGENCY KNOWN AS CIFEN, HAS BEEN ABANDONED, AND THAT CIFEN WILL NOT BECOME THE OFFICIAL EXPORTER OF FOOTWEAR. WE WERE ALSO INFORMED THAT FOOTWEAR EXPORTERS WILL BE EXCLUDED FROM UTILIZING CENTRAL BANK EXPORT PROMOTION REGULATIONS 502, 689 AND 777.

.... IN THE RECENT DISCUSSIONS IN BUENOS AIRES REPRESENTATIVES OF THE ARGENTINE GOVERNMENT ANNOUNCED THAT A NEW SYSTEM FOR PROVIDING FINANCING TO EXPORTERS OF NON-RUBBER FOOTWEAR WOULD BE PUT INTO EFFECT. THAT SYSTEM, AS IT HAS BEEN EXPLAINED TO US, WOULD NOT CONSTITUTE A BOUNTY OR GRANT WITHIN THE MEANING OF THE U.S. COUNTERVAILING DUTY LAW. A MEMORANDUM SETTING FORTH OUR UNDERSTANDING OF THE ELEMENTS OF THIS PROGRAM IS ATTACHED.

.... I WISH TO STRESS THAT ANY CHANGE IN THE TERMS OF FINANCING UNDER THIS PROGRAM COULD CREATE AN EXPORT SUBSIDY, AS COULD THE FAILURE TO ADJUST TERMS OR INTEREST RATES TO MEET CHANGED TERMS AVAILABLE IN COMMERCIAL LIMITED OFFICIAL USE

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PAGE 03 STATE 030662

LENDING INSTITUTIONS. WE ARE ESPECIALLY CONCERNED THAT THERE BE NO FORGIVENESS OF PRINCIPLE OR INTEREST IN THE FUTURE AND THAT ALL REPAYMENTS BY BORROWERS ARE REQUIRED TO BE MADE AS SCHEDULED. OUR UNDERSTANDING IS THAT THE GOA WOULD BE WILLING TO CONSULT WITH TREASURY SHOULD ANY CHANGES IN THE FINANCING PROGRAM BE NECESSARY.

.... AS I HAVE INDICATED, THE TREASURY WILL BE OBSERV-

ING THE OPERATION OF THIS SYSTEM AND CONSULTING WITH THE
GOA DURING THE INTERIM PERIOD PRIOR TO ISSUANCE OF A FINAL
DETERMINATION.

. . . . I WISH TO TAKE THIS OPPORTUNITY TO THANK YOU FOR
THE FORTHRIGHT AND COOPERATIVE ATTITUDE OF THE GOA AS
SHOWN DURING THE TREASURY DEPARTMENT'S INQUIRY INTO THIS
MATTER.

. . . . I HOPE WE CAN CONTINUE THIS FAVORABLE RELATIONSHIP

IN THE PERIOD AHEAD. SINCERELY YOURS, DAVID R. MACDONALD.

. ELEMENTS OF GOA FINANCING PLAN FOR
. FOOTWEAR EXPORT INDUSTRY

1. INTEREST RATE -- 13 PERCENT PER ANNUM TO BE PAID
ANNUALLY.
2. LENGTH OF LOAN -- UP TO 5 YEARS.
3. UP TO 75 PERCENT OF A TRANSACTION CAN BE FINANCED BY
THIS PROGRAM.
4. UP TO 50 PERCENT AND NO LESS THAN 41 PERCENT OF THE
FACE VALUE OF THE LOAN MUST REMAIN ON DEPOSIT IN THE LEND-
ING INSTITUTION, AND WILL NOT BE AVAILABLE FOR USE BY THE
BORROWER.
5. INTEREST RATE AND TERMS TO BE MODIFIED TO REFLECT ANY
CHANGES IN COMMERCIALY AVAILABLE RATES AND TERMS.END TEXT.

3. EMBASSY REQUESTED TO CONVEY TEXT OF LETTER TO APPRO-
PRIATE GOA OFFICIALS. EMBASSY ALSO REQUESTED TO KEEP
WASHINGTON INFORMED ON DEVELOPMENT OF IMPLEMENTING LEGIS-
LATION BY GOA AND TO FORWARD COPIES OF APPROPRIATE
DOCUMENTS AS DRAFTED.
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PAGE 04 STATE 030662

4. TREASURY ACTION WILL BE PUBLISHED IN FEDERAL REGISTER
OF FEBRUARY 18. EMBASSY WILL BE INFORMED OF RESULTS OF
COURT HEARING BY SEPT. INGERSOLL

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Message Attributes

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Margaret P. Grafeld
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05 JUL 2006

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To: BUENOS AIRES
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